

UNITED STATES DISTRICT
COURT DISTRICT OF PUERTO
RICO

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*,

Debtors.¹

PROMESA
Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**SUPPLEMENTAL DECLARATION OF JULIE HERTZBERG REGARDING
DISINTERESTEDNESS OF ALVAREZ & MARSAL NORTH AMERICA, LLC
PURSUANT TO THE PUERTO RICO RECOVERY ACCURACY IN
DISCLOSURES ACT**

I, Julie Hertzberg, hereby declare and state as follows:

1. I am a Managing Director of Alvarez & Marsal North America, LLC (together with employees of its affiliates (all of which are wholly-owned by its parent company and employees), its wholly owned subsidiaries, and independent contractors, “A&M”) and I am leading the engagement and working on behalf of the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as the sole Title III representative of the Commonwealth of Puerto Rico (the “Commonwealth”), the Puerto Rico Sales Tax Financing Corporation (“COFINA”), the Puerto Rico Highways and Transportation Authority (“HTA”), the Employees

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17-BK-3283- LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17-BK-3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17-BK- 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17-BK-3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17- BK-4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority (“PBA”) (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) and the Puerto Rico Public Buildings Authority (“PBA,” and collectively with the Commonwealth, COFINA, HTA, and ERS the “Debtors”) pursuant to section 315(b) of the *Puerto Rico Oversight, Management, and Economic Stability Act* (“PROMESA”).²

2. I submit this supplemental declaration pursuant to section 2(b)(1) of the *Puerto Rico Recovery Accuracy in Disclosures Act*, Pub. L. No. 117-82 (“PRRADA”). Except as otherwise noted, I have personal knowledge of the matters set forth herein, provided, however, that certain of the disclosures herein relate to matters within the personal knowledge of other professionals at A&M and are based on information provided by them. To the extent any information disclosed herein requires amendment, supplement, or modification upon A&M’s completion of further review if such review is requested by the Court, or as any additional party in interest information becomes available, a supplemental declaration will be submitted to the Court reflecting such amended, supplemented, or modified information.

Background

3. On January 20, 2022, President Joseph R. Biden Jr. signed PRRADA into law. PRRADA sets forth disclosure requirements for professional persons seeking compensation pursuant to sections 316 and 317 of PROMESA after PRRADA’s enactment.

4. Pursuant to PRRADA section 2(c), on February 22, 2022, the Oversight Board filed a motion seeking approval of a proposed list of material parties in interest (the “MIP List”). ECF No. 20194. On March 29, 2022, pursuant to the Court’s *Order Regarding Proposed List of Material Interested Parties Pursuant to the Puerto Rico Recovery Accuracy In Disclosure Act* [ECF No. 20419], the Oversight Board filed an amended MIP List. ECF No. 20458. The Court

² PROMESA is codified at 48 U.S.C. §§ 2101–2241

entered an order approving the amended MIP List on March 30, 2022. ECF No. 20467.

5. As a condition to eligibility for compensation, PRRADA requires professionals to file a verified statement conforming to the disclosure requirements of Rule 2014(a) of the Federal Rules of Bankruptcy Procedure setting forth the professional's connections to the parties on the MIP List. PRRADA § 2(b)(1).

6. On May 3, 2017, the Oversight Board, as representative of the Commonwealth, commenced the Commonwealth's Title III case. The Oversight Board later commenced Title III cases for the remaining Debtors as their representative. On August 2, 2018, the Oversight Board retained A&M as claims agent. As a professional serving the Oversight Board, A&M receives compensation pursuant to PROMESA sections 316 and 317 and is therefore subject to PRRADA's disclosure requirements.

7. On May 16, 2022, I submitted my initial declaration [ECF No. 20802] (the "Initial Declaration") setting forth A&M's connections to the parties on the MIP List. Capitalized terms used herein but not otherwise defined have the meaning ascribed to them in the Initial Declaration.

8. Following the filing of the Initial Declaration, the Office of the United States Trustee for the District of Puerto Rico (the "U.S. Trustee") requested certain additional information from A&M related to the disclosures set forth therein. After providing the additional information to the U.S. Trustee, the U.S. Trustee requested that A&M file the information in a supplemental declaration. Accordingly, I submit this supplemental declaration setting forth the additional information requested by the U.S. Trustee.

Supplemental Disclosures

9. A&M's Client Database includes all Firm client relationships.

10. A&M is currently acting as a financial advisor to counsel to Courtland (aka Alter

Domus) the agent for a \$550 million dollar credit facility to Puerto Rico Electric Power Authority (PREPA). A&M was originally engaged by counsel to Scotiabank de Puerto Rico in 2014 for the same facility and has continued to perform services to Courtland when they took over the agent role. This engagement is one of the reasons that A&M is not providing services or advice related to PREPA in this engagement.

11. In the Initial Declaration, A&M disclosed that it and its affiliates have previously provided services for various Commonwealth related entities, including the Puerto Rico Highway and Transportation Authority (between August 2017 and February 2020). A&M's affiliate was engaged to assist the HTA with the development and implementation of its transformational plan, FOMB Certified Fiscal Plan adherence initiatives, and fiscal reform activities. A&M's affiliate also operated HTA's PMO and advised on asset management in connection with HTA's transformation plan. A&M's work may have included acting as a liaison with other organizations, such as AAFAF and the FOMB or their advisors for matters relating to title III and other performance improvement initiatives. The A&M affiliate Managing Director who was the lead on the project left the firm in January 2020. To the best of our knowledge, there was no direct connection to A&M's current claims management role in the title III cases.

12. A&M disclosed in the Initial Declaration that its affiliates are continuing to pursue opportunities within the Commonwealth of Puerto Rico, including but not limited to responding to requests for proposals to provide services to various instrumentalities of the Commonwealth. To the best of our knowledge, these opportunities have no direct connection to the title III cases.

13. A&M disclosed in the Initial Declaration that John Nixon, who was appointed to the Financial Oversight and Management Board for Puerto Rico in 2020, is also an officer of

Client Network Services LLC. A&M Capital, was, until recently, the majority owner of Client Network Services LLC. A&M is not aware of any role Client Network Services LLC might have in the title III cases, and Client Network Services is not on the MIP List. A&M's disclosure serves to explain a connection between A&M Capital and John Nixon, who recently joined the Financial Oversight and Management Board for Puerto Rico and is an officer of Client Network Services LLC.

14. The A&M Capital Funds have never held investments in the municipal bonds issued by the government of Puerto Rico.

15. A&M's disclosures in the Initial Declaration relied on the MIP List that was compiled and provided to all professionals in the title III cases. If previous Oversight Board parties were not included but need to be searched, A&M will file a supplement once the names have been provided to us.

16. Banco Popular de Puerto Rico as Trustee for Popular Tax Exempt Trust Fund is identified on Schedule B of the Initial Declaration as a client. A&M's affiliate provided expert testimony to Banco Popular de Puerto Rico in one matter unrelated to the title III cases. That matter was last active in 2016.

17. None of the Material Interested Parties account for more than 2% of A&M's gross revenue in 2020 or 2021.

18. The ink signed signature page to the Initial Declaration is kept in A&M's files.

Affirmative Statement of Disinterestedness

19. Based on the conflicts and survey processes conducted to date and described in the Initial Declaration, and the supplemental disclosures set forth herein, to the best of my knowledge and insofar as I have ascertained, (a) A&M is a "disinterested person" pursuant to PRRADA section 2(e)(2)(A) relative to the persons and entities on the MIP List, (b) A&M does

not represent or hold an adverse interest in connection with any of the Debtors pursuant to PRRADA section 2(e)(2)(B), and (c) A&M has no connection to parties on the MIP List except as disclosed herein and the Initial Declaration.

20. To the extent any additional relevant information becomes known to A&M, A&M will file a supplemental declaration pursuant to PRRADA section 2(b)(2).

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief from the persons who assembled this information.

Dated: August 10, 2022

Respectfully submitted,

/s/ Julie Hertzberg
Julie Hertzberg